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**ATLANTIC ACCEPTANCE CORPORATION LIMITED**  
**in Receivership**

**MONTREAL TRUST COMPANY,**  
**Receiver and Manager**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 1970**

**PRICE WATERHOUSE & Co.**





## ATLANTIC ACCEPTANCE CORPORATION LIMITED

### Report of the Receiver and Manager

The Receiver and Manager submits herewith the combined financial statements of Atlantic Acceptance Corporation Limited, in Receivership, as at December 31, 1970, with the auditors' report thereon, and the audited financial statements of Atlantic Acceptance Corporation Limited and each of its subsidiary companies as at their 1970 fiscal year ends. The combined financial statements this year include for the first time those of Lucayan Beach Hotel and Development Limited, a subsidiary which formerly owned the Lucayan Beach Hotel at Freeport in the Bahamas. Lucayan Beach Hotel and Development Limited sold its Hotel properties at the end of 1969 and holds as security for the sale price a promissory note guaranteed by an unconditional letter of credit from a United States bank and a debenture secured by a first charge in the Hotel properties. The financial statements of two other subsidiaries, Concourse Agencies Limited and Pay as you Study Plan Limited, were combined with those of Atlantic Acceptance in prior years but have been omitted in 1970 as these companies had no assets and surrendered their charters in 1971.

The Combined Statement of Deficiency in Net Assets discloses the assets under the control of the Receiver and Manager. Short-term investments at the year-end, representing funds available for distribution, amounted with accrued interest to \$104,736,936 compared to \$91,668,229 at the end of 1969. Combined with the cash in banks, these liquid assets exceeded for the first time the claim for principal of the senior noteholders, the total liquid assets being \$105,748,704 to meet claims of \$105,077,414 of principal outstanding on senior debt. The total estimated recovery at December 31, 1970 was \$118,119,129, compared to \$111,593,823 the previous year, or 112.4% of the principal claims of senior noteholders.

The dollar amounts quoted are based on a conversion of U.S. dollar assets and liabilities to Canadian dollars at the rate of exchange which prevailed on December 31, 1970, \$100 Canadian being the equivalent of \$98.89 U.S. Short-term investments continued to be held 49% in U.S. dollar obligations but the principal long-term assets, the indebtedness secured by the Lucayan Beach Hotel, is in U.S. currency and the overall position of U.S. dollar assets to U.S. dollar liabilities is approximately in balance.

The long term receivable arising from the sale of the Lucayan Beach Hotel, which consists of the promissory note and secured debenture referred to above, amounted to \$10,870,414 at the year end. On January 3, 1971, \$900,000 was repaid on the promissory note and the balance of \$800,000 is payable on January 3, 1972. Monthly payments under the secured debenture are current.

Other residual assets were much reduced during 1970. Estimated amounts due in respect of the sale of Commodore Sales Acceptance Limited accounted for \$1,936,884 of the \$1,974,106 still recoverable in respect of the sale of former subsidiaries, the balance having been subsequently realized from the residual assets of Atlantic Finance Corporation Limited. Of the remaining net assets of Commodore Sales at the year end about \$1,000,000 consisted of cash in various undistributed bankrupt estates held by The Clarkson Company Limited and a substantial part of this has been received this year.

Other residual receivables of subsidiary companies totalled \$206,662. Those attributable to The Premier Finance Corporation Limited and Atlantic Acceptance represent the amount of actual recoveries following the year end after giving effect to the sale of written-off accounts to GAC Finance Inc. as referred to in note 5 to the financial statements. This sale also wound up the realization of residual assets of Atlantic Finance Corporation Limited, and Atlantic Acceptance (Toronto) Limited has now been fully liquidated. The sale of these written-off accounts was approved by the Supreme Court of Ontario at a hearing before the Master on July 14, 1971. While the price of \$85,000 for the package seemed low in terms of the uncollected balances it must be realized that these accounts are all six years old or more and the continuing cost of the collection organization was no longer justified by the dwindling collections. The experience with the Special Services office of the Receiver and Manager was excellent during the five years that the agreement with G.A.C. was in effect and more than \$2,000,000 net of expenses was recovered from accounts which appeared to have little value.



Income taxes recoverable increased in 1970 to \$214,177 following a reassessment of the returns of The Premier Finance Corporation Limited and Adelaide Acceptance Limited. This concludes the efforts expended by the Receiver and Manager during the last six years to recover as much as possible of the income taxes paid prior to the Receivership on earnings which, in the light of subsequent losses, appear to have been overstated. Several hundred thousand dollars have been added to the Receivership assets as a result.

Accounts payable and accrued liabilities are much higher at the year end but the increase is due to the consolidation of the Lucayan Beach Hotel accounts and the amount shown includes the balance of the commission payable on the sale of the Hotel. This commission is payable in instalments as the promissory note taken back on the sale is retired.

### Current Financial Position

As at June 30, 1971, the Receiver and Manager holds the following amounts on term deposits with banks and other trust companies:

Canadian funds.....	\$ 55,433,940
U.S. funds at Canadian dollar equivalent.....	53,743,360
Accrued interest.....	<u>1,265,550</u>
	<u>\$110,442,850</u>

Interest earnings in the first six months of 1971 totalled \$3,417,371, reflecting the reduced returns available on short-term investments this year. In the latter part of June rates obtained were about  $4\frac{3}{4}\%$  on Canadian dollar deposits and  $5\frac{3}{4}\%$  on U.S. dollar deposits. However, these rates were obtained on the basis of a six-month term, with a redemption privilege, which has been the maturity approved by the Court since the early days of the Receivership. Depositaries are now aware of the possibilities of an early distribution and may be unwilling to take deposits for a six-months term. As a result interest earnings may be adversely affected to some degree. In any event, it is unlikely that interest will accumulate at a rate which will match the accrual of interest on the outstanding senior notes.

### Litigation

The trial of the action brought by Connecticut General Life Insurance Company to set aside the security for the senior notes issued by Atlantic Acceptance Corporation Limited after August 17, 1964 began before the Honourable Mr. Justice Grant of the Supreme Court of Ontario on March 29th last. It continued with adjournments for 22 days in court and has been adjourned for the summer months.

During this period discussions commenced between counsel for the parties of the possibilities of a settlement of the action and a letter has been sent to senior noteholders setting out the terms of a proposal which would be acceptable to the plaintiff and to the representative noteholders defending the action. A substantial percentage of senior noteholders have indicated their approval of the proposal and within the next week the terms of the proposal will be sent to all subordinated, junior subordinated and other unsecured creditors with a notice of motion to the Court to summon a meeting of unsecured creditors to approve the same. The Court will also be asked to summon a meeting of senior noteholders for the purpose of securing the formal approval of this class to the proposal.

August 9, 1971

Yours very truly,

MONTREAL TRUST COMPANY,

Per: J. G. Haxton,  
Senior Vice-President.

**ATLANTIC ACCEPTANCE CORPORATION LIMITED**  
**in Receivership**

**MONTREAL TRUST COMPANY,**  
**Receiver and Manager**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 1970**

**PRICE WATERHOUSE & CO.**

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

FINANCIAL STATEMENTS - DECEMBER 31, 1970

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# Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto 111 Ont. (416) 863-1133 Telex 02-2246

April 29, 1971

## AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of  
Atlantic Acceptance Corporation Limited:

We have examined the Combined Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership as at December 31, 1970, the Combined Statement of Deficit as at June 17, 1965, the date when the Company went into receivership, as adjusted to December 31, 1970, the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1970 while the operations of the Company were under the control of the Receiver and Manager, and the Combined Statement of Income for the year ended December 31, 1970. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Combined Statement of Deficiency in Net Assets are stated at estimated realizable values.

As referred to in Note 11 to the combined financial statements, the trial of an action commenced on March 29, 1971 in the Supreme Court of Ontario which seeks to establish that senior notes issued after August 17, 1964 are not entitled to the security of the Senior Note indenture. The Combined Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$142,437,468 is entitled to the security of the indenture, and no provision has been made for costs incurred in respect of this action.

Subject to the comments in the preceding paragraph, in our opinion these combined financial statements present fairly the deficiency in the net assets as at December 31, 1970 and the changes in the deficit accounts and the income for the year then ended.

*Price Waterhouse & Co.*

Chartered Accountants

## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

## COMBINED STATEMENT OF DEFICIENCY IN NET ASSETS

(See Note 1 for basis of preparation of combined financial statements)

	<u>December 31</u>	
	<u>1970</u>	<u>1969</u>
Assets under the control of the Receiver and Manager:		
Cash (Note 2)	\$ 1,011,768	\$ 1,050,599
Short-term investments, maturing within one year, at cost plus accrued interest (including \$51,052,614 (U.S. \$50,484,661) in 1970 and \$48,128,346 (U.S. \$44,861,843) in 1969 payable in United States dollars)-		
Deposit receipts of Canadian chartered banks	52,269,307	48,128,346
Deposit receipts and guaranteed investment certificates of Canadian trust companies	48,441,084	40,421,872
Hydro-electric commission notes, guaranteed by the Province of Ontario	4,026,545	-
Provincial treasury bills	-	3,118,011
	<u>104,736,936</u>	<u>91,668,229</u>
Long-term receivable (Note 3)	10,870,414	-
Estimated amounts due in respect of sale of interest in former subsidiary companies (Note 4)	1,974,106	6,279,119
Estimated income taxes recoverable	214,177	127,905
Instalment notes and accounts receivable, at estimated realizable value (Note 5)	206,662	354,846
Investments and advances:		
Lucayan Beach Hotel and Development Limited (Note 1)	-	9,896,491
6% Capital Notes of General Acceptance Corporation, due October 1, 1970, at cost plus accrued interest	-	2,463,924
	-	<u>12,360,415</u>
Fixed assets, at nominal value	<u>2</u>	<u>2</u>
Forward	\$119,014,065	\$111,841,115



	December 31	
	<u>1970</u>	<u>1969</u>
Forward	\$119,014,065	\$111,841,115
Deduct:		
Accounts payable and accrued liabilities	669,936	247,292
Estimated interest of minority shareholders in Lucayan Beach Hotel and Development Limited (Note 1)	<u>225,000</u>	<u>-</u>
	894,936	247,292
Estimated realizable value of net assets under the control of the Receiver and Manager, being 112.4% of the principal amount (\$105,077,414) due to senior noteholders at December 31, 1970	118,119,129	111,593,823
Deduct: Senior debt (Note 6)	<u>142,437,468</u>	<u>140,095,807</u>
Deficiency in net assets to meet senior debt outstanding	24,318,339	28,501,984
Other liabilities:		
Subordinated debt (Note 7)	21,504,763	21,271,598
Junior subordinated debt (Note 8)	5,589,018	5,533,193
Accounts payable and accrued liabilities as at June 17, 1965	75,523	75,523
Dividends payable	249,430	249,430
Contingent liabilities (Note 9)	<u>-</u>	<u>-</u>
	27,418,734	27,129,744
Deficiency in net assets	<u>\$ 51,737,073</u>	<u>\$ 55,631,728</u>
Represented by:		
Capital stock	\$ 14,455,087	\$ 14,455,087
Deficit-		
As at June 17, 1965 as adjusted to end of year	57,643,416	61,147,995
For the period from June 18, 1965 to end of year	<u>8,548,744</u>	<u>8,938,820</u>
	(66,192,160)	(70,086,815)
	<u>\$ 51,737,073</u>	<u>\$ 55,631,728</u>

## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

## COMBINED STATEMENT OF DEFICIT

AS AT JUNE 17, 1965,

THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,

AS ADJUSTED TO DECEMBER 31, 1970

	<u>Year ended December 31</u>	
	<u>1970</u>	<u>1969</u>
Balance at June 17, 1965 as adjusted to beginning of year	\$61,147,995	\$61,259,949
Deduct: Adjustments during the year relating to the assets and liabilities at June 17, 1965:		
Net adjustment of foreign exchange on assets and liabilities in United States dollars arising in 1970 as a consequence of the Canadian government's abandonment of an established rate of exchange	2,518,500	-
Amounts received (or estimated to be received) from collections of notes and accounts receivable in excess of their estimated realizable value at beginning of year	618,208	1,369,347
Amounts recovered on notes and accounts receivable previously written off as uncollectible	245,190	201,680
Adjustment arising as at January 1, 1970 from combining the assets and liabilities of Lucayan Beach Hotel and Development Limited (Note 1)	90,506	-
Increase in estimated income taxes recoverable, including accrued interest	<u>125,494</u>	<u>-</u>
	<u>3,597,898</u>	<u>1,571,027</u>
	57,550,097	59,688,922
Add:		
Fourth interim award of compensation in 1970 to the Receiver and Manager (Note 10), less \$10,000 charged in 1970 (\$50,000 in 1969) to Lucayan Beach Hotel and Development Limited as a management fee	50,000	1,415,000
Legal expenses of the Receivership	<u>43,319</u>	<u>44,073</u>
	<u>93,319</u>	<u>1,459,073</u>
Deficit at June 17, 1965 as adjusted to end of year	<u>\$57,643,416</u>	<u>\$61,147,995</u>

## COMBINED STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1970

WHILE THE OPERATIONS OF THE COMPANIES WERE UNDER THE CONTROL  
OF THE RECEIVER AND MANAGER

	<u>Year ended December 31</u>	
	<u>1970</u>	<u>1969</u>
Deficit from June 18, 1965 to beginning of year	\$ 8,938,820	\$ 8,119,434
Deduct: Income (loss) for the year	<u>390,076</u>	<u>(819,386)</u>
Deficit at end of year	<u>\$ 8,548,744</u>	<u>\$ 8,938,820</u>



## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

## COMBINED STATEMENT OF INCOME

	<u>Year ended December 31</u>	
	<u>1970</u>	<u>1969</u>
Operating income:		
Interest on short-term investments	\$8,029,780	\$6,353,991
Interest on long-term receivable	931,965	-
Interest on advances to-		
Standard Discount Corporation Limited	3,857	43,105
Lucayan Beach Hotel and Development Limited	-	571,642
Interest on 6% Capital Notes of General Acceptance Corporation	109,238	258,972
Other interest	4,187	3,917
	<u>9,079,027</u>	<u>7,231,627</u>
Operating expenses:		
Collection expenses	43,623	51,662
Legal and audit	25,710	45,765
Management fees to G.A.C. International Acceptance Corporation Limited	25,000	25,000
Other expenses	59,110	26,693
Salaries	26,788	46,343
	<u>180,231</u>	<u>195,463</u>
Foreign exchange	(58,433)	47,098
	<u>121,798</u>	<u>242,561</u>
Excess of operating income over operating expenses before interest on notes	8,957,229	6,989,066
Interest on notes:		
Senior debt-		
Bank advances	416,925	433,842
Short-term	2,471,823	2,521,456
Medium-term	260,956	272,763
Long-term	3,483,055	3,305,695
Subordinated debt	992,464	1,008,965
Junior subordinated debt	256,341	265,731
	<u>7,881,564</u>	<u>7,808,452</u>
	1,075,665	(819,386)
Estimated interest of minority shareholders in income of Lucayan Beach Hotel and Development Limited (Note 1)	15,500	-
Income (loss) before the undernoted adjustment	1,060,165	(819,386)
Adjustment in respect of prior years:		
Interest to December 31, 1969 not previously accrued on redemption premium on senior and subordinated debt	670,089	-
Income (loss) for the year	<u>\$ 390,076</u>	<u>\$ (819,386)</u>

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 1970

1. Basis of preparation of combined financial statements:

The Combined Statement of Deficiency in Net Assets as at December 31, 1970 includes:

- (a) the assets under the direct control of the Receiver and Manager originating from Atlantic Acceptance Corporation Limited and The Premier Finance Corporation Limited, both of which are in receivership;
- (b) the assets of Adelaide Acceptance Limited, Atlantic Acceptance (Toronto) Limited and Commodore Factors Limited, wholly-owned subsidiaries which are not in receivership but are under the control of the Receiver and Manager; and
- (c) the assets of the partly-owned subsidiary, Lucayan Beach Hotel and Development Limited.

The financial statements of Lucayan were not combined with those of Atlantic Acceptance in 1969 because Lucayan's operations were different and unrelated to those of the other companies in the group for the greater part of that year. The financial statements of two wholly-owned subsidiary companies, Concourse Agencies Limited and Pay As You Study Plan Limited, were combined with those of Atlantic Acceptance in 1969, but are not in 1970 since those companies have no assets and have made application to surrender their charters.

The assets in the combined financial statements are stated at estimated realizable values and there have been deducted therefrom the accounts payable and accrued liabilities in respect of the two receiverships and the above subsidiaries not in receivership, and the minority interest in Lucayan, to arrive at the estimated realizable value of the net assets under the control of the Receiver and Manager which are available for creditors as of June 17, 1965.

The Combined Statement of Deficit as at June 17, 1965 reflects the results of operations to June 17, 1965 with subsequent adjustments to December 31, 1970 primarily to adjust the assets and liabilities at June 17, 1965 to their estimated realizable values, and the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1970 reflects the cumulative results of operations carried out by or under the direction of the Receiver and Manager, in respect of the assets of the companies in the Atlantic group during that period.

The results of operations for the year ended December 31, 1970 are set out in the Combined Statement of Income.



In combining the financial statements as described above, all intergroup assets and liabilities and income and expenses have been eliminated.

All balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange (Canadian \$100 equals United States \$98.89) as at December 31, 1970.

2. Cash:

Cash includes bank deposits of \$957,116 which were seized on June 17, 1965 by the depositaries. The banks have claimed a right to offset these deposits against bank advances and short-term notes which form part of the senior debt of the Company.

3. Long-term receivable:

The long-term receivable of \$10,870,414 is payable over a period of fifteen years to 1984 and arose upon the sale in 1969 by Lucayan Beach Hotel and Development Limited of all its properties and its interest in subsidiary companies for U.S. \$12,600,000. As security, Lucayan received a bank's unconditional letter of credit guaranteeing the payment of 9% promissory notes in the amount of U.S. \$2,600,000 and a 9% debenture in the amount of U.S. \$9,000,000 having a first fixed and floating charge on the properties both present and future of the purchaser, including the properties purchased from Lucayan.

A promissory note in the amount of U.S. \$900,000 fell due and was paid in January 1971.

4. Estimated amounts due in respect of sale  
of interest in former subsidiary companies:

The following amounts are estimated to be recoverable arising out of the sale of former subsidiary companies:

	<u>1970</u>	<u>1969</u>
Estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited, including in 1969 \$1,354,000 in respect of shares and debentures of Lucayan Beach Hotel and Development Limited	\$1,936,884	\$6,181,854
Realizable value of certain notes receivable of Atlantic Finance Corporation Limited (Note 5)	<u>37,222</u>	<u>97,265</u>
	<u>\$1,974,106</u>	<u>\$6,279,119</u>

5. Instalment notes and accounts receivable:

Subject to the approval of the Supreme Court of Ontario, the Receiver and Manager has entered into an agreement with GAC Finance Inc. whereby that company will purchase for \$85,000 notes and accounts receivable of Atlantic Acceptance, The Premier Finance Corporation Limited and Atlantic Finance Corporation Limited as at February 26, 1971. These notes and accounts receivable are stated in the Combined Statement of Deficiency in Net Assets at approximately \$120,000, which is equal to the collections received between January 1 and February 26, 1971 plus the \$85,000. The portion of the \$120,000 attributable to the notes receivable of Atlantic Finance (\$37,222) is included in the estimated amounts due in respect of sale of interest in former subsidiary companies (Note 4).

6. Senior debt:

The senior debt of the Company, which became due and payable upon the default under the Senior Note indenture in June 1965, is secured by an assignment of notes receivable and by a first floating charge on the assets of the Company. The senior debt consists of the following liabilities in Canadian and United States dollars:

	1970	1969
Bank advances (Note 2):		
Payable in Canadian dollars	\$ 3,250,000	\$ 3,250,000
Payable in United States dollars (U.S. \$4,000,000)	<u>4,045,000</u>	<u>4,291,250</u>
	7,295,000	7,541,250
Short-term notes (Note 2):		
Payable in Canadian dollars	35,280,135	35,280,135
Payable in United States dollars (U.S. \$15,953,000)	<u>16,132,471</u>	<u>17,114,577</u>
	51,412,606	52,394,712
Medium-term notes:		
Payable in Canadian dollars-		
5%	100,000	100,000
5 3/8%	140,000	140,000
5 7/8%	700,000	700,000
Payable in United States dollars-		
5% (U.S. \$2,000,000)	2,022,500	2,145,625
5 1/4% (U.S. \$2,000,000)	<u>2,022,500</u>	<u>2,145,625</u>
	4,985,000	5,231,250
Long-term notes:		
Payable in Canadian dollars-		
Series B 6 1/2%	846,000	846,000
Series C 5 3/4%	600,000	600,000
Series D 5 3/4%	400,000	400,000
Series E 6 1/4%	400,000	400,000
Series F 6 1/4%	100,000	100,000
Series G 6 1/4%	100,000	100,000
Series H 6%	700,000	700,000
Series I 6%	1,250,000	1,250,000
Series O 6 1/8%	1,500,000	1,500,000
Payable in United States dollars-		
Series A 6 1/2% (U.S. \$3,384,000)	3,422,070	3,630,398
Series J 6% (U.S. \$2,250,000)	2,275,313	2,413,828
Series K 6% (U.S. \$1,500,000)	1,516,875	1,609,219
Series L 6% (U.S. \$2,500,000)	2,528,125	2,682,031
Series M 6% (U.S. \$2,500,000)	2,528,125	2,682,031
Series N 5 3/4% (U.S. \$7,500,000)	7,584,375	8,046,094
Series P 6% (U.S. \$1,500,000)	1,516,875	1,609,219
Series Q 6% (U.S. \$8,500,000)	8,595,625	9,118,906
Series R 5 7/8% (U.S. \$5,460,000)	<u>5,521,425</u>	<u>5,857,556</u>
	41,384,808	43,545,282
Principal amount of senior debt	105,077,414	108,712,494
Redemption premium on long-term notes	<u>2,035,394</u>	<u>2,161,558</u>
	107,112,808	110,874,052
Accrued interest on senior debt to December 31	<u>35,324,660</u>	<u>29,221,755</u>
	<u>\$142,437,468</u>	<u>\$140,095,807</u>



## 7. Subordinated debt:

The subordinated debt of the Company, which became due and payable upon default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

	<u>1970</u>	<u>1969</u>
Payable in Canadian dollars-		
6%	\$ 23,500	\$ 23,500
6 1/4%	4,500,000	4,500,000
Payable in United States dollars-		
6 1/2% (U.S. \$2,250,000)	2,275,313	2,413,828
6 1/2% (U.S. \$782,000)	790,797	838,939
6% (U.S. \$3,478,000)	3,517,128	3,731,242
6 1/4% (U.S. \$2,340,000)	2,366,325	2,510,381
6 1/4% (U.S. \$2,000,000)	<u>2,022,500</u>	<u>2,145,625</u>
Principal amount of subordinated debt	15,495,563	16,163,515
Redemption premium	<u>390,227</u>	<u>399,925</u>
	15,885,790	16,563,440
Accrued interest on subordinated debt to December 31	<u>5,618,973</u>	<u>4,708,158</u>
	<u>\$21,504,763</u>	<u>\$21,271,598</u>

## 8. Junior subordinated debt:

The junior subordinated debt of the Company, which became due and payable upon the default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

	<u>1970</u>	<u>1969</u>
Payable in Canadian dollars-		
6 1/2%	\$ 1,000,000	\$ 1,000,000
6 3/4%	400,000	400,000
6 3/4%	150,000	150,000
Payable in United States dollars-		
6% (U.S. \$2,000,000)	2,022,500	2,145,625
6 1/2% (U.S. \$500,000)	<u>505,625</u>	<u>536,406</u>
	4,078,125	4,232,031
Accrued interest on junior subordinated debt to December 31	<u>1,510,893</u>	<u>1,301,162</u>
	<u>\$ 5,589,018</u>	<u>\$ 5,533,193</u>

## 9. Contingent liabilities:

The Company is contingently liable under a guarantee to the amount of approximately \$96,000 and it is possible that there may be additional contingent liabilities. If the contingent liabilities should become actual liabilities, the creditors would rank with other unsecured creditors.

10. Compensation of the Receiver and Manager:

To December 31, 1970 the Court has approved the payment of four interim awards of compensation aggregating \$3,275,000 to the Receiver and Manager covering services rendered to September 30, 1970.

11. Litigation:

The trial of an action commenced on March 29, 1971 in the Supreme Court of Ontario whereunder Connecticut General Life Insurance Company, suing on behalf of itself and other holders of senior notes issued in compliance with the terms of the Senior Note indenture, is seeking a declaration of the Court that the outstanding senior notes Series O to Series R and the outstanding short-term and medium-term senior notes issued after August 17, 1964 were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. Pursuant to an order of the Court made on December 12, 1966 the action is being defended by Montreal Trust Company, the trustee under the Senior Note indenture, and by certain representative holders of senior notes in the series and classes of senior notes impugned.

No provision has been made in the combined financial statements for costs incurred by the defendants in respect of this action which under the terms of the Court order referred to above will be a charge against the net assets of Atlantic Acceptance.



# Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto 111 Ont. (416) 863-1133 Telex 02-2246

April 29, 1971

## AUDITORS' REPORT

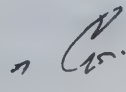
Montreal Trust Company, Receiver and Manager of  
Atlantic Acceptance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership as at December 31, 1970, the Statement of Deficit as at June 17, 1965, the date when the Company went into receivership, as adjusted to December 31, 1970, the Statement of Deficit for the period from June 18, 1965 to December 31, 1970 while the operations of the Company were under the control of the Receiver and Manager, and the Statement of Income for the year ended December 31, 1970. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Statement of Deficiency in Net Assets are stated at estimated realizable values.

As referred to in Note 11 to the financial statements, the trial of an action commenced on March 29, 1971 in the Supreme Court of Ontario which seeks to establish that senior notes issued after August 17, 1964 are not entitled to the security of the Senior Note indenture. The Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$142,437,468 is entitled to the security of the indenture, and no provision has been made for costs incurred in respect of this action.

Subject to the comments in the preceding paragraph, in our opinion these financial statements present fairly the deficiency in the net assets as at December 31, 1970 and the changes in the deficit accounts and the income for the year then ended.

*Price Waterhouse* 

Chartered Accountants

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS  
AS AT DECEMBER 31, 1970

Assets under the control of the Receiver and Manager:

Cash (Note 2)		\$ 1,005,919
Short-term investments, maturing within one year, at cost plus accrued interest (including \$51,052,614 (U.S. \$50,484,661) payable in United States dollars)-		
Deposit receipts of Canadian chartered banks	\$52,269,307	
Deposit receipts and guaranteed investment certificates of Canadian trust companies	48,441,084	
Hydro-electric commission notes, guaranteed by the Province of Ontario	<u>4,026,545</u>	
		104,736,936
Estimated amounts due in respect of sale of interest in former subsidiary companies (Note 3)		3,333,506
Accounts receivable, at realizable value (Note 4)		73,953
Estimated income taxes recoverable		48,962
Investments and advances:		
Lucayan Beach Hotel and Development Limited (Note 5)	8,430,555	
Advances to wholly-owned subsidiary companies, at estimated realizable value	<u>38,586</u>	
		8,469,141
Estimated equity in assets held by Receiver and Manager arising from the receivership of The Premier Finance Corporation Limited		<u>163,304</u>
		117,831,721
Deduct: Accounts payable and accrued liabilities		<u>62,146</u>
Estimated realizable value of net assets under the control of the Receiver and Manager, being 112.1% of the principal amount (\$105,077,414) due to senior noteholders as at December 31, 1970		117,769,575
Deduct: Senior debt (Note 6)		<u>142,437,468</u>
Deficiency in net assets to meet senior debt outstanding, carried forward		24,667,893

Forward

\$ 24,667,893

## Other liabilities:

Subordinated debt (Note 7)

\$21,504,763

Junior subordinated debt (Note 8)

5,589,018

Accounts payable and accrued liabilities

64,893

Dividends payable

249,430

Contingent liabilities (Note 9)

-27,408,104

Deficiency in net assets

\$ 52,075,997

## Represented by:

Capital stock

\$ 14,455,087

## Deficit-

As at June 17, 1965 as adjusted to

December 31, 1970

\$57,755,457

For the period from June 18, 1965 to

December 31, 1970

8,775,62766,531,084\$ 52,075,997



ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT

AS AT JUNE 17, 1965,

THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,

AS ADJUSTED TO DECEMBER 31, 1970

Balance at June 17, 1965 as adjusted to December 31, 1969	\$61,137,365
---	--------------

Deduct: Adjustments during the year relating to the assets and liabilities at June 17, 1965:

Net adjustment of foreign exchange on assets and liabilities in United States dollars arising in 1970 as a consequence of the Canadian government's abandonment of an established rate of exchange

\$2,486,335

Amounts received (or estimated to be received) from advances to subsidiary (or former subsidiary) companies in excess of their estimated realizable value at beginning of year

743,702

Amounts recovered on notes and accounts receivable previously written off as uncollectible

245,190

3,475,227

57,662,138

Add:

Fourth interim award of compensation in 1970 to the Receiver and Manager (Note 10), less \$10,000 charged to Lucayan Beach Hotel and Development Limited as a management fee

50,000

Legal expenses of the Receivership

43,319

93,319

Deficit at June 17, 1965 as adjusted to December 31, 1970

\$57,755,457

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1970

WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1969	\$ 8,938,820
---	--------------

Deduct: Income for the year

163,193

Deficit at December 31, 1970

\$ 8,775,627

## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1970

## Operating income:

Interest on short-term investments		\$8,029,780
Interest on advances to-		
Lucayan Beach Hotel and Development Limited	\$ 630,979	
Standard Discount Corporation Limited	<u>3,857</u>	
		634,836
Interest on 6% Capital Notes of General Acceptance Corporation		109,238
Other interest		<u>3,027</u>
		8,776,881

## Operating expenses:

Collection expenses	41,126	
Legal and audit	25,710	
Management fees to G.A.C. International Acceptance Corporation Limited	25,000	
Other expenses	31,734	
Salaries	<u>25,510</u>	
	149,080	
Foreign exchange	<u>(58,433)</u>	
		<u>90,647</u>

Excess of operating income over operating expenses before interest on notes	8,686,234
---	-----------

## Interest on notes:

Senior debt-		
Bank advances	416,925	
Short-term	2,471,823	
Medium-term	260,956	
Long-term	3,483,055	
Subordinated debt	992,464	
Junior subordinated debt	<u>256,341</u>	
		<u>7,881,564</u>
		804,670

## Interest charged on advances to wholly-owned subsidiary companies

	1,084,140	
Less: Provision for the net loss of these companies for the year ended December 31, 1970	<u>1,055,528</u>	
		<u>28,612</u>

Income before the undernoted adjustment	833,282
---	---------

## Adjustment in respect of prior years:

Interest to December 31, 1969 not previously accrued on redemption premium on senior and subordinated debt	<u>670,089</u>
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Income for the year	<u>\$ 163,193</u>
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ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1970

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets and the business and assets of its wholly-owned subsidiaries are being liquidated. As a consequence the assets in the financial statements are stated at estimated realizable values.

In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange (Canadian \$100 equals United States \$98.98) as at December 31, 1970.

2. Cash:

Cash includes bank deposits of \$957,116 which were seized on June 17, 1965 by the depositaries. The banks have claimed a right to offset these deposits against bank advances and short-term notes which form part of the senior debt of the Company.

3. Estimated amounts due in respect of sale of  
interest in former subsidiary companies:

The following amounts are estimated to be recoverable arising out of the sale of former subsidiary companies:

Estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited	\$3,296,284
Realizable value of certain notes receivable of Atlantic Finance Corporation Limited	<u>37,222</u>
	<u>\$3,333,506</u>

4. Accounts receivable:

Subject to the approval of the Supreme Court of Ontario, the Receiver and Manager has entered into an agreement with GAC Finance Inc. whereby that company will purchase for \$85,000 the notes and accounts receivable of Atlantic Acceptance, The Premier Finance Corporation Limited and Atlantic Finance Corporation Limited as at February 26, 1971. The accounts receivable are stated in the Statement of Deficiency in Net Assets at an amount equal to the collections received between January 1 and February 26, 1971 plus the portion of the \$85,000 allocated to Atlantic Acceptance (\$54,000).



## 5. Lucayan Beach Hotel and Development Limited:

Changes in the investment in Lucayan during 1970 were as follows:

Balance at December 31, 1969		\$9,896,491
Add (deduct): Transactions with Lucayan in 1970:		
Accrued interest (U.S. \$609,022)	\$ 630,979	
Advances (U.S. \$270,529)	287,045	
Management fee (U.S. \$9,826)	10,000	
Repayments credited to interest receivable (U.S. \$756,323) and to advances (U.S. \$1,119,318)	(1,985,398)	
Foreign exchange adjustment	<u>(408,562)</u>	
		<u>(1,465,936)</u>
Balance at December 31, 1970		<u><u>\$8,430,555</u></u>

This amount is allocated as follows:

	<u>U.S.</u>	<u>Canadian</u>
Advances to assist Lucayan in meeting its current obligations	\$4,799,571	\$4,851,806
Debentures purchased, shown at their face amount	<u>1,800,000</u>	<u>1,820,250</u>
	<u>\$6,599,571</u>	6,672,056
Balance allocated to the 61.4% of the outstanding shares of Lucayan purchased in 1965		<u>1,758,499</u>
		<u><u>\$8,430,555</u></u>

The Receiver and Manager also controls a further 30% of the outstanding shares of Lucayan and debentures issued by it in the face amount of U.S.\$600,000. The estimated realizable value of these securities, amounting to \$1,359,000, is included in the estimated amount recoverable from the assets of Commodore Sales Acceptance Limited referred to in Note 3.

In October 1969 Lucayan sold all of its properties and its interest in subsidiary companies for a gross consideration of U.S. \$12,600,000, of which \$1,000,000 was received on closing in December 1969 with the balance payable over a period of fifteen years to 1984. As security Lucayan received a bank's unconditional letter of credit guaranteeing the payment of 9% promissory notes in the amount of U.S. \$2,600,000, and a 9% debenture in the amount of U.S. \$9,000,000 having a first fixed and floating charge on the properties both present and future of the purchaser, including the properties purchased from Lucayan. Two promissory notes each in the amount of U.S. \$900,000 fell due and were paid in January 1970 and 1971 respectively, and the blended payments of principal and interest are also being made in accordance with the terms of the 9% debenture.

The indicated value of Lucayan's net assets as shown by its audited financial statements as at September 30, 1970 exceeds the carrying value of the total Lucayan investment in the accounts at December 31, 1970 by approximately \$350,000.

#### 6. Senior debt:

The senior debt of the Company, which became due and payable upon the default under the Senior Note indenture in June 1965, is secured by an assignment of notes receivable and by a first floating charge on the assets of the Company. The senior debt consists of the following liabilities in Canadian and United States dollars:

Bank advances (Note 2):		
Payable in Canadian dollars	\$ 3,250,000	
Payable in United States dollars		
(U.S. \$4,000,000)	<u>4,045,000</u>	\$ 7,295,000
Short-term notes (Note 2):		
Payable in Canadian dollars	35,280,135	
Payable in United States dollars		
(U.S. \$15,953,000)	<u>16,132,471</u>	51,412,606
Medium-term notes:		
Payable in Canadian dollars-		
5%	100,000	
5 3/8%	140,000	
5 7/8%	700,000	
Payable in United States dollars-		
5% (U.S. \$2,000,000)	2,022,500	
5 1/4% (U.S. \$2,000,000)	<u>2,022,500</u>	4,985,000
Long-term notes:		
Payable in Canadian dollars-		
Series B 6 1/2%	846,000	
Series C 5 3/4%	600,000	
Series D 5 3/4%	400,000	
Series E 6 1/4%	400,000	
Series F 6 1/4%	100,000	
Series G 6 1/4%	100,000	
Series H 6%	700,000	
Series I 6%	1,250,000	
Series O 6 1/8%	1,500,000	
Payable in United States dollars-		
Series A 6 1/2% (U.S. \$3,384,000)	3,422,070	
Series J 6% (U.S. \$2,250,000)	2,275,313	
Series K 6% (U.S. \$1,500,000)	1,516,875	
Series L 6% (U.S. \$2,500,000)	2,528,125	
Series M 6% (U.S. \$2,500,000)	2,528,125	
Series N 5 3/4% (U.S. \$7,500,000)	7,584,375	
Series P 6% (U.S. \$1,500,000)	1,516,875	
Series Q 6% (U.S. \$8,500,000)	8,595,625	
Series R 5 7/8% (U.S. \$5,460,000)	<u>5,521,425</u>	<u>41,384,808</u>
Principal amount of senior debt		105,077,414
Redemption premium on long-term notes		<u>2,035,394</u>
		107,112,808
Accrued interest on senior debt to December 31, 1970		<u>35,324,660</u>
		<u>\$142,437,468</u>

## 7. Subordinated debt:

The subordinated debt of the Company, which became due and payable upon default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-	
6%	\$ 23,500
6 1/4%	4,500,000
Payable in United States dollars-	
6 1/2% (U.S. \$2,250,000)	2,275,313
6 1/2% (U.S. \$782,000)	790,797
6% (U.S. \$3,478,000)	3,517,128
6 1/4% (U.S. \$2,340,000)	2,366,325
6 1/4% (U.S. \$2,000,000)	<u>2,022,500</u>
Principal amount of subordinated debt	15,495,563
Redemption premium	<u>390,227</u>
	15,885,790
Accrued interest on subordinated debt to December 31, 1970	<u>5,618,973</u>
	<u>\$21,504,763</u>

## 8. Junior subordinated debt:

The junior subordinated debt of the Company, which became due and payable upon the default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-	
6 1/2%	\$ 1,000,000
6 3/4%	400,000
6 3/4%	150,000
Payable in United States dollars-	
6% (U.S. \$2,000,000)	2,022,500
6 1/2% (U.S. \$500,000)	<u>505,625</u>
	4,078,125
Accrued interest on junior subordinated debt to December 31, 1970	<u>1,510,893</u>
	<u>\$ 5,589,018</u>

## 9. Contingent liabilities:

The Company is contingently liable under a guarantee to the amount of approximately \$96,000 and it is possible that there may be additional contingent liabilities. If the contingent liabilities should become actual liabilities, the creditors would rank with other unsecured creditors.



10. Compensation of the Receiver and Manager:

To December 31, 1970 the Court has approved the payment of four interim awards of compensation aggregating \$3,275,000 to the Receiver and Manager covering services rendered to September 30, 1970.

11. Litigation:

The trial of an action commenced on March 29, 1971 in the Supreme Court of Ontario whereunder Connecticut General Life Insurance Company, suing on behalf of itself and other holders of senior notes issued in compliance with the terms of the Senior Note indenture, is seeking a declaration of the Court that the outstanding senior notes Series O to Series R and the outstanding short-term and medium-term senior notes issued after August 17, 1964 were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. Pursuant to an order of the Court made on December 12, 1966 the action is being defended by Montreal Trust Company, the trustee under the Senior Note indenture, and by certain representative holders of senior notes in the series and classes of senior notes impugned.

No provision has been made in the combined financial statements for costs incurred by the defendants in respect of this action which under the terms of the Court order referred to above will be a charge against the net assets of the Company.

# Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto 111 Ont. (416) 863-1133 Telex 02-2246

April 29, 1971

## AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of  
The Premier Finance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of The Premier Finance Corporation Limited - In Receivership (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1970, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1970, the Statement of Deficit for the period from June 18, 1965 to December 31, 1970 while the operations of the Company were under the control of the Receiver and Manager, and the Statement of Loss for the year ended December 31, 1970. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the Company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Statement of Deficiency in Net Assets at estimated realizable values.

In our opinion these financial statements present fairly the deficiency in net assets of the Company as at December 31, 1970, the changes in the deficit accounts for the year then ended and the loss for the year.

*Price Waterhouse & Co.*

Chartered Accountants

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS  
AS AT DECEMBER 31, 1970

Assets under the control of the Receiver and Manager:		
Cash		\$ 4,774
Instalment notes and accounts receivable, at realizable value (Note 2)		6,500
Estimated income taxes recoverable		152,029
Fixed assets, at nominal value		<u>1</u>
Estimated realizable value of net assets under the control of the Receiver and Manager available for creditors as of June 17, 1965		163,304
Deduct: Advances from Atlantic Acceptance Corporation Limited (Note 1)		<u>2,507,445</u>
Deficiency in net assets to meet outstanding advances from Atlantic Acceptance Corporation Limited		2,344,141
Add: Other accounts payable and accrued liabilities		<u>10,630</u>
Deficiency in net assets		<u><u>\$2,354,771</u></u>
Represented by:		
Capital stock		\$ 185,618
Deficit-		
As at June 17, 1965 as adjusted to December 31, 1970	\$1,499,404	
For the period from June 18, 1965 to December 31, 1970	<u>1,040,985</u>	
		<u>(2,540,389)</u>
		<u><u>\$2,354,771</u></u>



THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT

AS AT JUNE 17, 1965,

THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED  
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1970

Deficit at June 17, 1965 as adjusted to December 31, 1969		\$1,602,245
Deduct: Adjustments during the year ended December 31, 1970 relating to the assets at June 17, 1965-		
Amounts received (or estimated to be received) from collections of instalment notes and accounts receivable in excess of their estimated realizable value at December 31, 1969	\$16,255	
Increase in estimated income taxes recoverable, including accrued interest	<u>86,586</u>	
		<u>102,841</u>
Deficit at June 17, 1965 as adjusted to December 31, 1970		<u>\$1,499,404</u>

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1970  
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL  
OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1969		\$ 877,558
Add: Loss for the year ended December 31, 1970		<u>163,427</u>
Deficit as at December 31, 1970		<u>\$1,040,985</u>

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1970  
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER  
THE CONTROL OF THE RECEIVER AND MANAGER

Expenses:

Bank charges	\$ 27
Business tax	32
Collection expenses	2,497
Employee benefits	22
Insurance	3
Miscellaneous	7
Postage	57
Printing, stationery and supplies	65
Rent	45
Salaries	1,278
Telephone and telegraph	402
Travel	<u>10</u>
Expenses before interest charges	4,445
Interest on advances from Atlantic Acceptance Corporation Limited	<u>158,982</u>
Loss for the year	<u><u>\$163,427</u></u>

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP  
(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1970

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965, and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of The Premier Finance Corporation Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Premier Finance, which are stated in the Statement of Deficiency in Net Assets at estimated realizable values, are being liquidated in satisfaction of this charge.

To assist in orderly liquidation, Montreal Trust Company was appointed Receiver and Manager of Premier Finance on July 29, 1965 under an order issued by the Supreme Court of Ontario.

2. Instalment notes and accounts receivable:

Subject to the approval of the Supreme Court of Ontario, the Receiver and Manager has entered into an agreement with GAC Finance Inc. whereby that company will purchase for \$85,000 the notes and accounts receivable of Premier Finance, Atlantic Acceptance Corporation Limited and Atlantic Finance Corporation Limited as at February 26, 1971.

The instalment notes and accounts receivable are stated in the Statement of Deficiency in Net Assets at an amount equal to the collections between January 1 and February 26, 1971 plus the portion of the \$85,000 allocated to Premier Finance (\$5,000).



# Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto 111 Ont: (416) 863-1133 Telex 02-2246

April 29, 1971

## AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of  
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Adelaide Acceptance Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1970, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1970, the Statement of Deficit for the period from June 18, 1965 to December 31, 1970 while the operations of the Company were under the control of the Receiver and Manager of the parent company, and the Statement of Loss for the year ended December 31, 1970. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the Company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Balance Sheet at estimated realizable values.

The estimated realizable value of notes receivable has been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion these financial statements present fairly the financial position of the Company as at December 31, 1970, the changes in the deficit accounts for the year then ended and the loss for the year.

*Price Waterhouse & Co.*

Chartered Accountants

ADELAIDE ACCEPTANCE LIMITED  
(a wholly-owned subsidiary of  
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1970

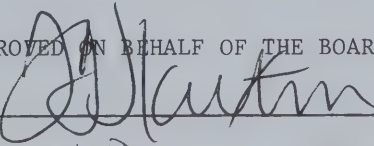
ASSETS

Cash	\$ 948
Notes receivable, at estimated realizable value (Note 2)	12,500
Estimated income taxes recoverable	<u>13,186</u>
	<u>\$ 26,634</u>

LIABILITIES

Advances from Atlantic Acceptance Corporation Limited (Note 1)	\$4,741,977
Capital stock and deficit:	
Capital stock-	
Authorized-	
20,500 7% cumulative redeemable preference shares with a par value of \$10 each	
25,000 common shares of no par value	
Issued and fully paid-	
17,000 preference shares	\$ 170,000
10,103 common shares	<u>10,103</u>
	180,103
Deficit-	
As at June 17, 1965 as adjusted to December 31, 1970	\$3,378,646
For the period from June 18, 1965 to December 31, 1970	<u>1,516,800</u>
	<u>4,895,446</u>
	<u>(4,715,343)</u>
	<u>\$ 26,634</u>

APPROVED ON BEHALF OF THE BOARD:

  
\_\_\_\_\_  
J. J. Destanneis  
\_\_\_\_\_  
Director

ADELAIDE ACCEPTANCE LIMITED

STATEMENT OF DEFICIT

AS AT JUNE 17, 1965, THE DATE WHEN THE PARENT COMPANY  
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1970

Deficit at June 17, 1965 as adjusted to December 31, 1969		\$3,459,430
Deduct: Adjustments during the year ended December 31, 1970 relating to the assets and liabilities at June 17, 1965-		
Adjustment of foreign exchange on liability in United States dollars arising in 1970 as a consequence of the Canadian government's abandonment of an established rate of exchange	\$32,165	
Amounts received (or estimated to be received) from collections of notes receivable in excess of their estimated realizable value at December 31, 1969	9,711	
Increase in estimated income taxes recoverable, including accrued interest	<u>38,908</u>	
		<u>80,784</u>
Deficit at June 17, 1965 as adjusted to December 31, 1970		<u><u>\$3,378,646</u></u>

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1970  
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL  
OF THE RECEIVER AND MANAGER OF THE PARENT COMPANY

Deficit from June 18, 1965 to December 31, 1969		\$1,198,157
Add: Loss for the year ended December 31, 1970		<u>318,643</u>
Deficit as at December 31, 1970		<u><u>\$1,516,800</u></u>



ADELAIDE ACCEPTANCE LIMITED

STATEMENT OF LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1970

Capital taxes	\$ 53
Interest on advances from parent company	<u>318,590</u>
Loss for the year	<u><u>\$318,643</u></u>

ADELAIDE ACCEPTANCE LIMITED

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1970

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Adelaide Acceptance Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Adelaide Acceptance, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

In the attached statements, all balances are stated in Canadian dollars at the rate of exchange (Canadian \$100 equals U.S. \$98.89) as at December 31, 1970.

2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practicable in the circumstances.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the notes. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

# Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto 111 Ont. (416) 863-1133 Telex 02-2246

April 29, 1971

## AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of  
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Atlantic Acceptance (Toronto) Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1970, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1970, the Statement of Deficit for the period from June 18, 1965 to December 31, 1970 while the operations of the Company were under the control of the Receiver and Manager of the parent company, and the Statement of Loss for the year ended December 31, 1970. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1970, the changes in the deficit accounts for the year then ended and the loss for the year.

*Price Waterhouse & Co.*

Chartered Accountants



ATLANTIC ACCEPTANCE (TORONTO) LIMITED  
(a wholly-owned subsidiary of  
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1970

ASSETS

Mortgages receivable, including accrued interest (fully collected in 1971)	\$ 5,265
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LIABILITIES

Accrued liabilities	\$ 15
Advances from Atlantic Acceptance Corporation Limited	222,414
	222,429

Capital stock and deficit:

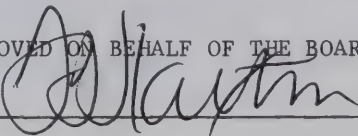

Capital stock-	
Authorized-	
40,000 shares without par value	
Issued and fully paid-	
3 shares	\$ 3

Deficit-

As at June 17, 1965 as adjusted		\$125,638	
to December 31, 1970			
For the period from June 18, 1965			
to December 31, 1970	91,529		
		217,167	
			(217,164)
			\$ 5,265

Note: Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Atlantic Acceptance (Toronto) Limited, a wholly-owned subsidiary. The mortgages receivable of the Company are being liquidated in satisfaction of the advances from the parent company.

APPROVED ON BEHALF OF THE BOARD:

 _____	Director
 _____	Director

ATLANTIC ACCEPTANCE (TORONTO) LIMITED

STATEMENT OF DEFICIT  
AS AT JUNE 17, 1965,  
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,  
AS ADJUSTED TO DECEMBER 31, 1970

Deficit at June 17, 1965 as adjusted to December 31, 1969	\$130,138
Deduct: Adjustment during the year ended December 31, 1970 relating to the mortgages receivable at June 17, 1965- Amounts received (or to be received) from collections of the mortgages receivable in excess of their estimated realizable value at December 31, 1969	<u>4,500</u>
Deficit at June 17, 1965 as adjusted to December 31, 1970	<u><u>\$125,638</u></u>

STATEMENT OF DEFICIT  
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1970  
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL  
OF THE RECEIVER AND MANAGER OF THE PARENT COMPANY

Deficit from June 18, 1965 to December 31, 1969	\$ 77,441
Add: Loss for the year ended December 31, 1970	<u>14,088</u>
Deficit as at December 31, 1970	<u><u>\$ 91,529</u></u>

ATLANTIC ACCEPTANCE (TORONTO) LIMITED

STATEMENT OF LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1970

Interest income	\$ 1,059
Miscellaneous expenses	<u>110</u>
Excess of income over expenses before interest charges	949
Interest on advances from parent company	<u>15,037</u>
Loss for the year	<u><u>\$14,088</u></u>



# Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto 111 Ont. (416) 863-1133 Telex 02-2246

April 29, 1971

## AUDITORS' REPORT

Montreal Trust Company, Receiver and Manager of  
Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Commodore Factors Limited (whose shares are held by the Receiver and Manager of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1970, the Statement of Deficit as at June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as adjusted to December 31, 1970, the Statement of Deficit for the period from June 18, 1965 to December 31, 1970 while the operations of the Company were under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, and the Statement of Loss for the year ended December 31, 1970. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the Company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence the assets are stated in the Balance Sheet at estimated realizable values.

The estimated realizable value of notes receivable has been carefully determined in the light of current conditions. However, because of uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion these financial statements present fairly the financial position of the Company as at December 31, 1970, the changes in the deficit accounts for the year then ended and the loss for the year.

*Price Waterhouse & Co.*

Chartered Accountants

COMMODORE FACTORS LIMITED

BALANCE SHEET - DECEMBER 31, 1970  
(stated in United States dollars)

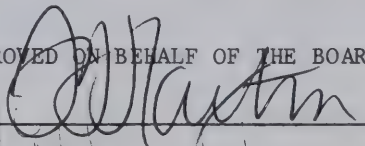

ASSETS

Cash	\$	126
Notes receivable, at estimated realizable value (Note 2)		31,500
Office furniture, at nominal value		<u>1</u>
	\$	<u>31,627</u>

LIABILITIES

Accrued liabilities	\$	25,000
Advances from Atlantic Acceptance Corporation Limited (Canadian \$9,385,678) (Note 1)		<u>9,281,497</u>
		9,306,497
Capital stock and deficit:		
Capital stock-		
Authorized- 200 shares without par value		
Issued- 100 shares	\$	10,000
Deficit-		
As at June 17, 1965 as adjusted to December 31, 1970	\$6,403,375	
For the period from June 18, 1965 to December 31, 1970	<u>2,881,495</u>	
		<u>9,284,870</u>
		<u>(9,274,870)</u>
	\$	<u>31,627</u>

APPROVED ON BEHALF OF THE BOARD:

 Director  
 Director

COMMODORE FACTORS LIMITED

STATEMENT OF DEFICIT

AS AT JUNE 17, 1965,

THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED  
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1970  
(stated in United States dollars)

Deficit at June 17, 1965 as adjusted to December 31, 1969		\$5,873,844
Add: Adjustments during the year ended December 31, 1970 relating to the assets and liabilities at June 17, 1965-		
Adjustment of foreign exchange on liability in Canadian dollars arising in 1970 as a consequence of the Canadian government's abandonment of an established rate of exchange	\$518,031	
Excess of the estimated realizable value of notes receivable at December 31, 1969 over the amounts received (or estimated to be received) from collections of the notes	<u>11,500</u>	
		<u>529,531</u>
Deficit at June 17, 1965 as adjusted to December 31, 1970		<u>\$6,403,375</u>

STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1970  
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL OF THE  
RECEIVER AND MANAGER OF ATLANTIC ACCEPTANCE CORPORATION LIMITED  
(stated in United States dollars)

Deficit from June 18, 1965 to December 31, 1969		\$2,317,241
Add: Loss for the year ended December 31, 1970		<u>564,254</u>
Deficit as at December 31, 1970		<u>\$2,881,495</u>

COMMODORE FACTORS LIMITED

STATEMENT OF LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1970  
(stated in United States dollars)

Expenses:	
Capital taxes	\$ 52
Bank charges	<u>1</u>
Expenses before interest charges	53
Interest on advances from Atlantic Acceptance Corporation Limited	<u>564,201</u>
Loss for the year	<u><u>\$564,254</u></u>



COMMODORE FACTORS LIMITED

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1970

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Commodore Factors Limited whose property and assets were charged as security for the senior debt of Atlantic Acceptance. The assets of Commodore Factors, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practicable in the circumstances.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the notes. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & CO.  
CHARTERED ACCOUNTANTS

P W ANDREAE  
E R FINGLAND  
L CROPPER  
A H BRIGGS  
T GORMAN  
E. C. GRINDROD  
R. O. MOYLE

P O BOX F-2415  
MERCANTILE BANK BUILDING  
THE MALL  
FREEPORT · BAHAMAS  
CABLES PRICEWATER FREEPORTBAHAMAS  
TELEPHONE 2-7501 (3 LINES)

THE DIRECTORS AND SHAREHOLDERS  
LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

We have examined the accompanying Balance Sheet of Lucayan Beach Hotel and Development Limited at September 30th, 1970 and the related Statement of Deficit for the year ended September 30th, 1970. We have maintained the accounting records of the company for the year under review. We have also carried out such verification procedures and examined such other supporting evidence as we considered necessary in the circumstances.

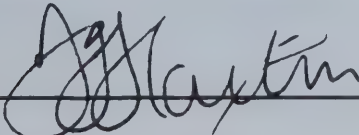
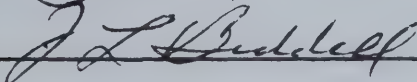
In previous years the Company had not maintained detailed registers of property, plant and equipment and had valued certain land without independent appraisal and we were unable to verify the carrying costs of such items or their existence as it related to retirements, replacements and obsolescence. The land valuation reserve and other capital reserves were used in 1965 to re-organise the Share Capital of the Company and to write off initial operating losses. Further evidence available indicates that certain transactions entered into during 1965 relating to the acquisition of certain fixed assets were not on an arms length basis.

Accordingly we do not express an opinion on the financial statements taken as a whole, however, in our opinion all accounts other than those which may be affected by the above (which include shareholders equity, and net deficit) are presented fairly in conformity with generally accepted accounting principles.

*Price Waterhouse & Co.*  
Chartered Accountants

*21st* January, 1971  
Freeport, Bahamas.

BALANCE SHEET AT SEPTEMBER 30TH, 1970-69  
(Stated in United States Dollars)

	1970	1969 *
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 75,846	\$ 65,536
Accounts receivable and accrued interest	75,737	5,510
Current portion of long term receivables	1,127,069	38,025
	<u>1,278,652</u>	<u>109,071</u>
<b>LONG TERM RECEIVABLES (LESS CURRENT PORTION)</b>		
(NOTES 1 AND 2)	<u>9,561,690</u>	<u>108,067</u>
<b>INVESTMENTS IN UNCONSOLIDATED SUBSIDIARY</b>		
<b>COMPANY (NOTE 1)</b>	<u>-</u>	<u>4,619</u>
<b>FIXED ASSETS (NOTE 1)</b>		
Freehold land, hotels, apartments, marina, fixtures fittings and equipment	-	17,530,626
Less: Accumulated depreciation	-	3,480,494
	<u>-</u>	<u>14,050,132</u>
 _____ )  _____ )	<b>DIRECTORS</b>	
	<u>\$10,840,342</u>	<u>\$14,271,889</u>

\* Restated for comparative purposes

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

BALANCE SHEET AT SEPTEMBER 30TH, 1970-69  
(Stated in United States Dollars)

## LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1970</u>	<u>1969</u>
CURRENT LIABILITIES		
Accounts payable and accrued charges	\$ 636,013	\$ 459,079
PROVISION FOR LOSS ON SALE OF ASSETS (NOTE 1)	-	1,703,958
LOANS INCLUDING ACCRUED INTEREST (NOTE 3)	7,482,437	9,052,347
ADVANCE FROM UNCONSOLIDATED SUBSIDIARY COMPANY (NOTE 1)	-	166,950
SHAREHOLDERS' EQUITY		
Share capital, authorised and issued		
10,000,000 shares of B\$.72¢ each, fully paid	7,056,000	7,056,000
Deficit	(4,334,108)	(4,166,445)
	2,721,892	2,889,555
	\$10,840,342	\$14,271,889

The notes attached hereto form an integral part of this statement.



LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

STATEMENT OF INCOME AND DEFICIT FOR THE YEAR ENDED  
SEPTEMBER 30TH, 1970-69

(Stated in United States Dollars)

	<u>1970</u>	<u>1969</u>
Interest income	\$ 931,786	\$ 4,600
Less: Interest expense	<u>687,991</u>	<u>549,315</u>
Rental income from leased facilities (Note 1)	243,795	(544,715)
	<u>-</u>	<u>956,147</u>
	<u>243,795</u>	<u>411,432</u>
Administrative and general expenses	15,319	151,557
Repairs and maintenance	-	39,947
Depreciation	<u>-</u>	<u>669,330</u>
	<u>15,319</u>	<u>860,834</u>
PROFIT/(LOSS) FOR THE YEAR - before extraordinary items	228,476	(449,402)
(Loss)/Surplus on disposal of assets	(396,139)	101,933
Provision for loss on sale of assets (Note 1)	-	(1,703,958)
Less: Transfer from capital reserve	<u>-</u>	<u>1,291,553</u>
Loss for the year after extraordinary items	167,663	759,874
DEFICIT AT BEGINNING OF YEAR	4,166,445	3,406,571
DEFICIT AT END OF YEAR	<u>\$4,334,108</u>	<u>\$4,166,445</u>

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED

NOTES TO FINANCIAL STATEMENTS AT SEPTEMBER 30TH, 1970

NOTE 1 - SALE OF FIXED ASSETS AND SUBSIDIARIES

Effective October 1st, 1969 the company sold all of its fixed assets and its interest in its subsidiary companies for a gross consideration of \$12,600,000, incurring a loss of \$2,099,097 of which \$1,703,958 was provided in 1969 and the balance, mainly representing expenses of sale, has been charged in the current year.

NOTE 2 - LONG TERM RECEIVABLES

9% Promissory Note - repayable January, 1971	\$ 900,000
9% Promissory Note - repayable January, 1972	800,000
9% Debenture payable over 20 years to 1989	8,875,019
8% Debentures repayable in monthly instalments to May, 1973	<u>113,740</u>
	10,688,759
Less: Amounts due within one year	<u>1,127,069</u>
	<u>\$ 9,561,690</u>

The above promissory notes are secured by a bankers unconditional letter of credit and the 9% debenture is secured on all property, present and future of the purchaser and its subsidiaries at present, primarily the assets sold, as described in note 1.

NOTE 3 - LOANS

The company has outstanding the following loans from the Receiver and Manager of Atlantic Acceptance Corporation Limited:

Secured by Debentures with a floating charge on the assets of the company repayable upon demand, bearing interest at 9% per year.	\$7,217,900
Unsecured loans, including accrued interest, repayable upon demand bearing interest at 9% per year.	<u>264,537</u>
	<u>\$7,482,437</u>

The interest rate on the above loans was increased from 6% to 9% per year on November 1st, 1969.

NOTE 4 - RATES OF EXCHANGE

Effective February 2nd, 1970 the Bahamian Dollar was revalued to a parity with the United States Dollar. The effect of this revaluation on these statements is not material. All amounts are stated in United States Dollars.







